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## Sri Lanka

**Post:** Colombo

### Sri Lanka Exporter's Guide - 2017

**Report Categories:**

Exporter Guide

Retail Foods

Food Service - Hotel Restaurant Institutional

Food Processing Ingredients

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**Report Highlights:**

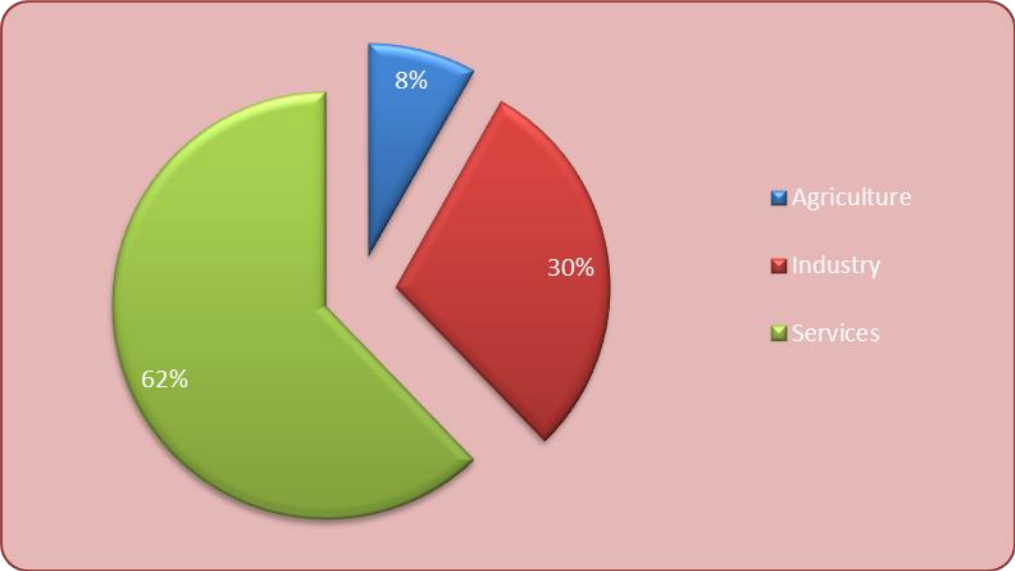
Sri Lanka has made significant progress in rebuilding its economy following its 26-year civil war in 2009. With a population of 22 million, Sri Lanka has emerged as a small, but growing market for imported consumer food products. While many imported foods face high tariffs and nontariff barriers, market opportunities are emerging along with Sri Lanka's growing consumer demand and developing tourism and hospitality sectors. Tourism, a rapidly evolving culinary scene, and a robust modern retail sector serve to create avenues for imported products, particularly in urban and tourist areas. Exporters seeking to establish products in Sri Lanka should determine if their product has market access, identify dependable local partners, and start small.

# General Information:

## Section I: Market Overview:

Following the end of a 26-year civil war in 2009 between the Government of Sri Lanka (GSL) and the Liberation Tigers of Tamil Eelam, Sri Lanka is emerging as a more important market for international business and tourism. A variety of upscale international and local hotels, resorts, and restaurants have opened in Colombo, Kandy, Galle, and around major tourist sites. The GSL identifies tourism and hospitality as priority sectors and has initiated a number of policies to support their development, to include reducing certain trade barriers for some food products. Additionally, Sri Lanka’s organized retail sector continues to develop throughout the country. New and upscale retailers are also creating avenues for high-end and imported foods and beverages. Economic growth since 2014 has hovered around five percent along with consistent increases in annual per capita GDP (purchasing power parity).

**Figure 1: Sri Lanka: Sector wise Percentage Contribution to GDP**



Source: Department of Census and Statistics, Ministry of National Policies and Economic Affairs, Sri Lanka

**Table 1. Sri Lanka: Imports of Ag., Fish, and Forestry Products from the World (U.S. \$ Billion)**

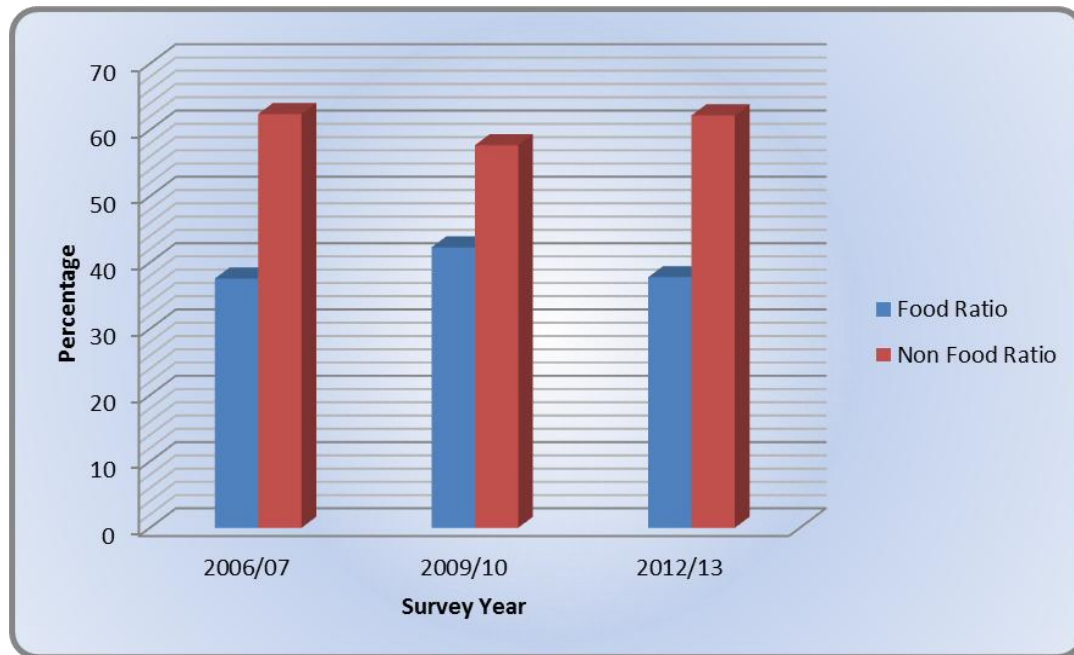
Category	2009	2015	2016
Bulk	0.56	0.94	0.71
Intermediate	0.41	0.66	0.70
Consumer- Oriented	0.43	0.79	0.81
Fishery and Seafood	0.12	0.22	0.24
Forestry	0.49	0.11	0.14

Source: Global Trade Atlas

## A. Food Purchasing Behavior:

According to the GSL's Department of Census and Statistics, in 2012/13 the average Sri Lankan household spent 15,651 Sri Lankan rupees (\$120.20) or 37.8 percent of their monthly income on food. This figure reflects a 4.5 percent decline from 2009/10, when Sri Lankans spent 42.3 percent of their monthly income on food. Trends indicate that consumers continue to improve the quality of their families' nutrition and consume more proteins, fruits, and vegetables.

**Figure 2: Sri Lanka: Distribution of Food Ratio and Non-Food Ratio by Survey Periods**



Source: Department of Census and Statistics, Sri Lanka

**Table 2: Sri Lanka: Average Monthly Per Capita Consumption Quantities of Selected Food Items by Survey Period**

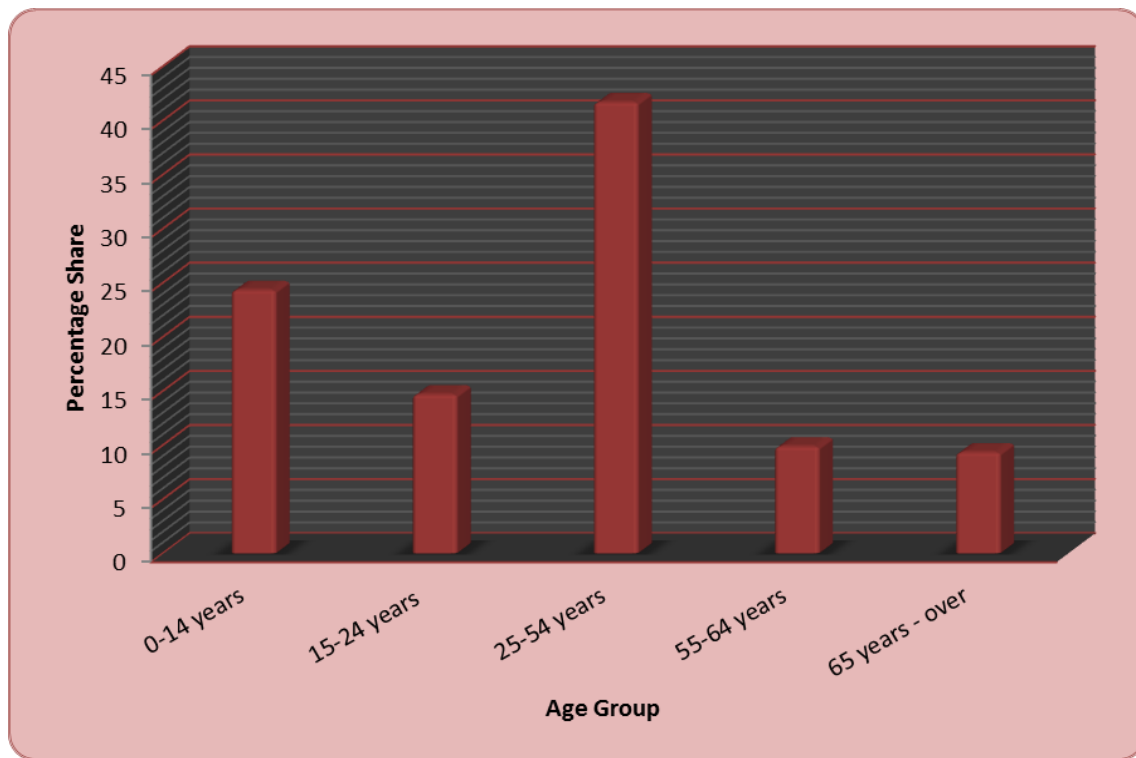
Item	Unit	2006/07	2009/10	2012/13
		(Qty)	(Qty)	(Qty)
Rice	Gram	8,995	9,062	8,989
Rice Flour	Gram	83	127	194
Wheat Flour	Gram	584	687	564
Bread (Normal)	Gram	1,533	1,266	926
Pulses	Gram	566	501	586
Big Onions	Gram	570	582	608
Sugar	Gram	1,275	1,212	1,111
Coconut	Number	7	7	7
Chicken	Gram	243	233	320
Egg	Number	3	2	3
Dried Fish	Gram	325	313	299

Source: Department of Census and Statistics, Sri Lanka

## B. Consumer Demographics:

In 2016, Sri Lanka's population was 22.24 million people. Sinhalese, Sri Lanka's ethnic majority, constitutes 74.9 percent of the population. 41 percent of Sri Lanka's population is between the ages of 25 and 54 years, a demographic segment which constitutes the majority of the work force and is the primary driver of economic growth.

**Figure 3: Sri Lanka: Population Percentage by Age Group**



Source: World Fact Book

## SECTION II: EXPORTER BUSINESS TIPS

### A. Road Map for Market Entry:

- Survey existing and potential market opportunities among local importers and stakeholders,
- Determine if your product has market access in Sri Lanka,
- Identify a Sri Lankan importer/distributor who services the retail, HORECA, or food processing sector,
- Examine prospective candidates and thoroughly research the more promising ones. Get a sense of the candidate's reputation through other clients and bankers.
- For products with a potentially longer shelf life and/or larger order volumes (e.g. large hotel chains), U.S. exporters may consider identifying a Sri Lankan supplier through consolidators in Dubai, Singapore, and Europe,
- Understand the myriad local food laws and regulations.

Ensuring payment is another important consideration when establishing a relationship with an importer. Until a successful working relationship is established, exporters may wish to consider vehicles such as an irrevocable letter of credit. The U.S. Embassy in Colombo does not have the authority or expertise to mediate contractual disputes, or serve as a collection agent when differences over payment arise. These situations can be avoided with proper preparation and sales terms.

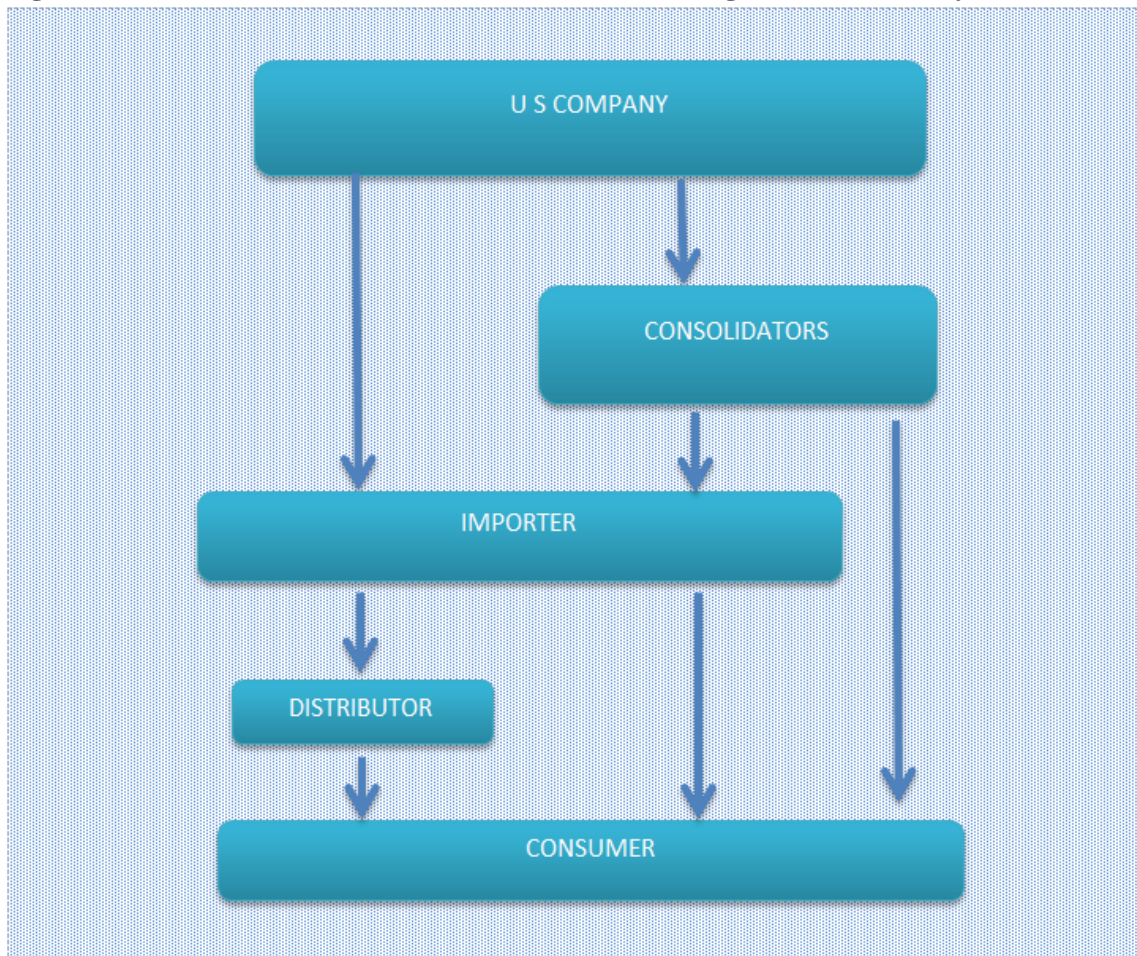
The increasing numbers of hotels opening in Sri Lanka offer a good platform for introducing new-to-market imported food products. Exporters should check with importers to see if they are established as suppliers for food and hospitality franchises.

U.S. food and agricultural exporters are advised to check if any relevant USDA Cooperators or state and regional trade groups (SRTG) are active in Sri Lanka. These organizations may offer additional assistance in product promotions and/or creating market linkages. If product/sector-specific USDA Cooperators or SRTGs are not currently active in Sri Lanka, exporters should consider contacting regional offices in India or Singapore. Exporters may also consider reaching out to local trade associations or chambers of commerce, which may be helpful in providing data, other information, and establishing connections with appropriate members. Finally, the Office of Agricultural Affairs at the U.S. Embassy in New Delhi is available to answer any Sri Lanka-specific inquiries and/or work with stakeholders to help create market linkages.

## **B. Market Structure:**

Market channels for imported foods typically involve several intermediaries. Retailers, hotels, restaurants, and institutions generally procure imported food products directly through importers and/or distributors. As Sri Lanka's culinary and hospitality industries become more established, some food and beverage distributors are becoming more focused and product specific, as to offer more variety. Sri Lanka's supply chain industry is also becoming more interlinked and modern, which offers increasing market penetration for perishable products.

**Figure 4: Sri Lanka: Flow Chart of Food and Beverage Distribution System**



Source: Industry Sources

### **C. Trade Shows:**

#### **The Hotel Show**

**Date:** June 30- July 2, 2017

**Venue:** The Sirimavo Bandaranaike Memorial Exhibition Centre, Colombo

**Website:** <http://www.hotelshowcolombo.com>

#### **Pro Food, Pro Pack and Agbiz**

**Date:** August 4-6, 2017

**Venue:** The Sirimavo Bandaranaike Memorial Exhibition Centre, Colombo

**Website:** <http://www.profoodpropack.com/>

#### **Hotel Hospitality and Food, Sri Lanka**

**Date:** October 27-29, 2017

**Venue:** The Sri Lanka Exhibition and Convention Centre, Colombo

**Website:** <http://hhf-srilanka.com/index.html>

#### D. Trade Policy:

In 1977 Sri Lanka began to liberalize its trade policies. Since then it has granted preferential tariff benefits to a range of products imported under the following trade agreements/arrangements: [Indo – Sri Lanka Free Trade Agreement](#) (ISFTA), [Pakistan – Sri Lanka Free Trade Agreement](#) (PSFTA), South Asian Free Trade Area (SAFTA), and Asia Pacific Trade Agreement (APTA). Sri Lanka's [Trade and Investment Framework Agreement](#) (TIFA) with the United States provides a bilateral platform for addressing trade barriers and market access concerns.

Several GSL agencies regulate biotechnology in Sri Lanka, although the apex regulatory body is the Ministry of Environment and Natural Resources. According to the Ministry of Healthcare and Nutrition's [Food \(Control of Import, Labelling, and Sale of Genetically Modified Foods\) Regulation 2006](#), Sri Lanka prohibits the import, sale, storage, and distribution of any genetically engineered (GE) or GE-derived products for human consumption. This includes any food item containing GE materials, or any food product which contains GE-derived ingredients.

#### E. Imports:

The GSL's Department of Customs is the primary enforcement agency responsible for cross-border trade. In addition to the defined custom duty an importer is required to pay value added taxes (VAT), excise duties, ports and airports development levy, nation building tax. Other 'cess' taxes may also be applicable for imported products. Food product imports require a country of origin certificate from the exporting country. Livestock and livestock products require health certificates issued by competent authorities in the country of origin, as well as import permits, which are typically obtained by the importer, from the office of the Directorate General of the Department of Animal Protection and Health. Plants and plant material (to include fresh horticultural products) require phytosanitary certificates issued by competent authorities in the country of origin, as well as import permits from the Sri Lankan Department of Agriculture.

**Table 3: Sri Lanka: Taxes and Duties to be Paid for Imported Food and Beverages**

Custom Duty	As defined by Customs Department, Sri Lanka
VAT	Zero to 12 percent of the sum of the Cost Insurance and Freight (CIF) value
Excise Duty (special provisions)	A percentage of the sum of CIF value
Cess	zero to 35 percent of 110 percent of CIF value
Ports and Airports Development Levy	Five percent of the CIF value
Nation Building Tax	Two percent of the sum of the CIF value

Source: Customs Department Sri Lanka and Industry Sources

**Table 4: Sri Lanka: Sri Lankan Rupees per US Dollar**

<b>Calendar Year</b>	<b>Sri Lankan rupees (LKR) per US dollar</b>
2016	146.6
2015	135.86
2014	135.86
2013	130.57
2012	127.6

Source: The World Fact Book

**Table 5: Sri Lanka: Top 10 Suppliers of Consumer Oriented Products**

<b>Partner Country</b>	<b>United States Dollars</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
World	792691868	786979073	808920850
India	163141270	230264816	191345401
New Zealand	240052904	175678471	170572395
China	54884743	63768592	80225581
Australia	79663546	64801104	56059198
Malaysia	7120989	9584561	33127032
Thailand	15064710	19650820	23518198
Pakistan	14416274	28452145	21991000
United States	35054855	25161683	21064438
Hong Kong	127576	169406	17659150
Others	183165001	169447474	193358452

Source: Global Trade Atlas

**Table 6: Sri Lanka: Top 10 Products Exported from U.S.**

<b>Product</b>	<b>Values in Thousands of dollars</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
230400 - Soya-Bean Residue	4,100	22,324	26,614	51,033	41,601
120810 - Soya Bean Flour	2,035	5,867	9,836	14,986	17,526
040210 - Milk Powder	8,644	14,383	20,418	14,054	12,406
100199 - Wheat, Except Durum	0	51,646	35,168	32,003	12,372
080810 - Apples, Fresh	4,949	4,272	4,294	3,502	4,250
071320 - Chickpeas, Dried	743	0	0	504	3,745
120190 - Soya Beans	0	0	0	315	3,123
210690 - Food Preps, Nesoi	890	1,380	1,809	1,893	2,675
071310 - Peas Dried, Shelled	1,385	850	1,386	1,312	1,255

Source: USDA/FAS Global Trade Database

## **F. Food Laws:**

The Sri Lankan Ministry of Health regulates and enforces the Food Act 1980, which regulates and controls the manufacture, import, sale, and distribution of food. It also establishes food advisory committees. The full text of the labelling and advertising regulation under the Food Act of 1980 can be accessed from the following link [Food \(Labelling and Advertising\) Regulations 2005](#).

### **SECTION III. POST CONTACTS AND FURTHER INFORMATION**

Office of Agricultural Affairs for India, Sri Lanka and Bangladesh  
Foreign Agricultural Service  
Embassy of the United States  
Chanakyapuri, New Delhi - 110 021, India  
Phone: +91 (11) 2419-8000  
Fax: +9 (11) 2419-8530  
E-Mail: [agnewdelhi@fas.usda.gov](mailto:agnewdelhi@fas.usda.gov)

Economic and Commercial Section  
Embassy of the United States  
210 Galle Road, Colombo 03, Sri Lanka  
Phone: +94(11) 249-8500  
Fax: +94(11) 243-7345  
E-mail: [commercialcolombo@state.gov](mailto:commercialcolombo@state.gov)

### **APPENDIX A: U.S. BASED STATE REGIONAL TRADE GROUPS / COOPERATORS / STATE OFFICE REPS DEALING IN FOOD OR AGRICULTURE IN SRI LANKA**

#### **Cotton Council International**

Website: [www.cottonusa.org](http://www.cottonusa.org)  
Local Representative Office Address:  
Antar Advisors  
B/91, Vishal Residency  
Ramdev Nagar-Anand Nagar Road  
Satellite – Ahmedabad – 380015, Gujarat  
Tel: +91-79-4030 0131  
Fax: +91-79-4032 7897  
E-mail: [antaradvisors@gmail.com](mailto:antaradvisors@gmail.com) / [peush\\_narang@yahoo.com](mailto:peush_narang@yahoo.com)

#### **U.S. Meat Export Federation, Inc.**

Website: [www.usmef.org](http://www.usmef.org)  
Office Address:  
39, Tyrwhitt Road  
3<sup>rd</sup> Floor Suite, Singapore – 207538  
Tel: +65 67334255; Fax: +65 67321977  
Mobile: +65 97581998  
E-Mail: [Singapore@usmef.org](mailto:Singapore@usmef.org)

**U.S. Soybean Export Council**

Website: [www.ussec.org](http://www.ussec.org)

Office Address:

16305 Swingley Ridge Road, Suite 200

Chesterfield, MO 63017-USA

Tel: +1 636.449.6041

Fax: +1 636.449.1292

Cell: 314.707.6698

E-Mail: [dklein@ussec.org](mailto:dklein@ussec.org)

**Washington State Apple Commission**

Website: [www.bestapples.com](http://www.bestapples.com)

Local Representative Office Address:

The SCS Group

651, Pace City II, Sector 37

Gurgaon, Haryana 122 004

Ph: +91-124-434 4500

Fax: +91-124-434 4501

E-Mail: [apples@scs-group.com](mailto:apples@scs-group.com)

**APPENDIX B: TRADE ORGANIZATIONS AND CHAMBER OF COMMERCE**

- [National Chamber of Exporters of Sri Lanka](#)
- [Colombo Stock Exchange](#)
- [Federation of Chambers of Commerce and Industry of Sri Lanka](#)
- [Sri Lanka Apparel Exporters Association](#)
- [The Ceylon Chamber of Commerce](#)
- [National Chamber of Exporters of Sri Lanka](#)
- [Women's Chamber of Industry and Commerce](#)
- [Institute for the Development of Commercial Law & Practices](#)

**APPENDIX C: USEFUL SRI LANKAN GOVERNMENT AGENCIES**

- [Ministry of Health, Sri Lanka](#)
- [Ministry of Finance and Planning, Sri Lanka](#)
- [Ministry of Economic Development, Sri Lanka](#)
- [Ministry of Industry and Commerce, Sri Lanka](#)
- [Department of Commerce, Sri Lanka](#)
- [Sri Lanka Customs](#)
- [The Board of Investment, Sri Lanka](#)
- [Sri Lankan Port Authority](#)